

Building a Biodiesel Business (in Washington State) – by Tim Stearns

In exploring whether and how to build a processing business, my best advice is to develop a business plan to determine what type of venture can be competitive and profitable.

Figure out the market you could serve, competition, feedstocks, distribution and so on.

Attached is a good business plan basics paper. There are tons of small business tools out there.

Some sources Key Bank <https://www.key.com/html/I.html>

Small Business Administration s - www.sba.gov/ -

Business & Small Business www.entrepreneur.com/

The Small Business Advisor - advice for starting and operating a
...www.isquare.com/

Fortune Magazine www.fortune.com

SCORE "Counselors to America's Small Business" A nonprofit association dedicated to encouraging the formation, growth, and success of small business nationwide through counseling and mentor programs. www.score.org/

Inc.com- Small business resources for the entrepreneur, home based business
www.inc.com/home/

Northwest Entrepreneurs Network <http://www.nwen.org/>

Alliance of Angels <http://www.allianceofangels.com/>

The best book on the subject is Building a Successful Biodiesel Business
http://biodieselbasics.com/catalog/product_info.php?products_id=28

The team has been teaching an annual course on biodiesel.

Jon Van Gerpen, Rudy Pruszko, Davis Clements, Brent Shanks, Gerhard Knothe

Section One: Biodiesel Fuels

Background

Diesel Engine Fuel Requirements

Diesel Fuel Specifications

Basic Organic Chemistry

The ASTM Specification for Biodiesel Fuel An Introduction to the Liquid Fuels Production, Marketing and Regulatory Systems Patent Discussion

Section Two: Production

Types of Biodiesel Production Processes Effects of Process Parameters Post Reaction Processing Treatment and Recover of Side Streams Fatty Acid Composition and Total Free Glycerol ASTM Methods for Determining the Chemical Properties of Biodiesel Soap and Catalyst Measurement Pretreatment of High Free Fatty Acid Feedstocks Alternative Feedstocks Feedstock Acquisition Feedstock Preparation Feedstock Quality Issues Glycerol Product Quality Site Selection Criteria

Section Three: Workplace Issues

Lab Safety, MSDS and Right to Know
Workplace Safety
Basic Plant Equipment and Operation
Chemical Plant Controls
Chemical Plant Instrumentation
Biodiesel Transportation and Storage
Equipment and Process Planning as Related to Feedstocks and Processes

Section Four: Developing a Business

Identification and Development of Markets Business Plan Development Plant and Operational Costs Sensitivity Analysis Financing Taxation Inventory and Management Government Incentive Programs Making a Profit

Section Five: Regulations and Environment

Environmental Requirements and Permitting EPA Registration

Financing - There are bills pending in the legislature that may offer loans to biofuel companies.

Recently a company worked with a local port to sell tax exempt bonds to obtain funding through the <http://www.wedfa.wa.gov/> - Washington Economic Development Finance Authority.

The USDA Rural Development office in Olympia is extremely helpful. They have a range of grant, loan and loan guarantee programs.

<http://www.rurdev.usda.gov/wa/>

USDA Rural Development
Washington State Office
1835 Black Lake Blvd. SW, Suite B
Olympia, WA 98501-5715
Phone: (360) 704-7740
Fax: (360) 704-7742

The Office of Regulatory Assistance can help give you an idea of the permitting path. <http://www.ora.wa.gov/> Please take a look at the attached draft permitting guide being put together by the WA Dept of Ecology. If you have any comments, please send them to the Office of Regulatory Assistance at assistance@ora.wa.gov, or fax 360-407-6711, by March 15. Many of the PowerPoint presentations and PDFs distributed at Ecology's recent permitting workshops are available at: <ftp://www.ecy.wa.gov/biodiesel/index.htm>

We can't emphasize enough the need to develop a business plan that outlines

- product
- customer
- management
- technology
- marketing
- financing
- distribution
- quality

These are the key elements of virtually every loan or grant application. Investors or lenders need you to demonstrate you have a viable market, have thought through the challenges and can make decisions. Since biodiesel will be new to many players you need to educate them on the opportunity and risks.

Finally, a 1/3, 1/3, 1/3 formula works well - 1/3 individual, friends & family, 1/3 loans, 1/3 grants or loan guarantees. Grants are usually for feasibility, planning, pilot projects, technology improvement and so on.

Good luck. This is an exciting, but challenging process; however, it is essential to obtain investment and manage risk.

Other resources:

The Office of Regulatory Assistance is drafting a Biodiesel Permit Guide. Contact: assistance@ora.wa.gov

The Tactics of Creating a Business Plan by Jack Hess 2001